

Yuma Metropolitan Planning Organization
Financial Statements

Year ended June 30, 2017

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Independent Auditor's Report

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The Executive Board of
Yuma Metropolitan Planning Organization
Yuma, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Yuma Metropolitan Planning Organization as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Yuma Metropolitan Planning Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Yuma Metropolitan Planning Organization as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and budgetary comparison information on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yuma Metropolitan Planning Organization's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of Yuma Metropolitan Planning Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yuma Metropolitan Planning Organization's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Phoenix, Arizona
March 29, 2018

Management's Discussion and Analysis

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

As management of the Yuma Metropolitan Planning Organization (YMPO), we offer readers of YMPO's financial statements this narrative overview and analysis of the financial activities of YMPO for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of YMPO exceeded its liabilities at the close of the fiscal year ended June 30, 2017 by \$1,724,619. Of this amount \$1,718,354 was unrestricted. YMPO's total net position increased by \$163,777. The increase is attributed to a combination of grant revenue reimbursements and the timing of related accounts payable. As of the close of the fiscal year, YMPO's governmental fund reported an ending fund balance of \$1,703,991.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is intended to serve as an introduction to YMPO's basic financial statements. YMPO's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of YMPO's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of YMPO's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of YMPO is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present the activities of YMPO that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of YMPO include general government, pavement monitoring, short and long-range planning assistance to local entities, economic development, and transportation planning.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. YMPO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of YMPO consists of a governmental fund.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

YMPO maintains one individual governmental fund, the Metropolitan Planning Fund, which is a special revenue fund and is the major fund.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Budgets. YMPO adopts an annual appropriated budget for its Metropolitan Planning Fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with this budget.

For the fiscal year 2017, YMPO's original budgeted amounts were revised for highway and transit planning revenues and expenditures.

Actual revenues were \$337,171 less than the final budgeted amounts for the Metropolitan Planning Fund. This was primarily due to PL and SPR funds that are targeted for transportation studies that will commence in FY 2018. The remainder is comprised of FTA 5304, 5305, and 5310 funds that were either budgeted but not used or which are also targeted for some of the afore mentioned studies.

The Metropolitan Planning Fund actual expenditures were \$470,797 less than the final expenditure budget, primarily due to the large amount of funds unexpended and carried forward and, a decline in administration expense due to not being fully staffed.

The budgetary comparison schedule can be found on pages 30 and 31 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements. The notes can be found immediately following the basic financial statements in this report.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of YMPO, assets and deferred outflows of resources exceeded liabilities by \$1,724,619 at the close of the fiscal year.

Governmental activities. Significant changes in governmental activities included the following:

- Current assets increased by \$141,674 due primarily to an increase in grant revenue reimbursements and related receivables.
- Capital assets, net, increased by \$1,809 due primarily to the purchase of capital assets.
- Current and other liabilities increased by \$6,244 due primarily to the timing of expenses and the related accounts payable.

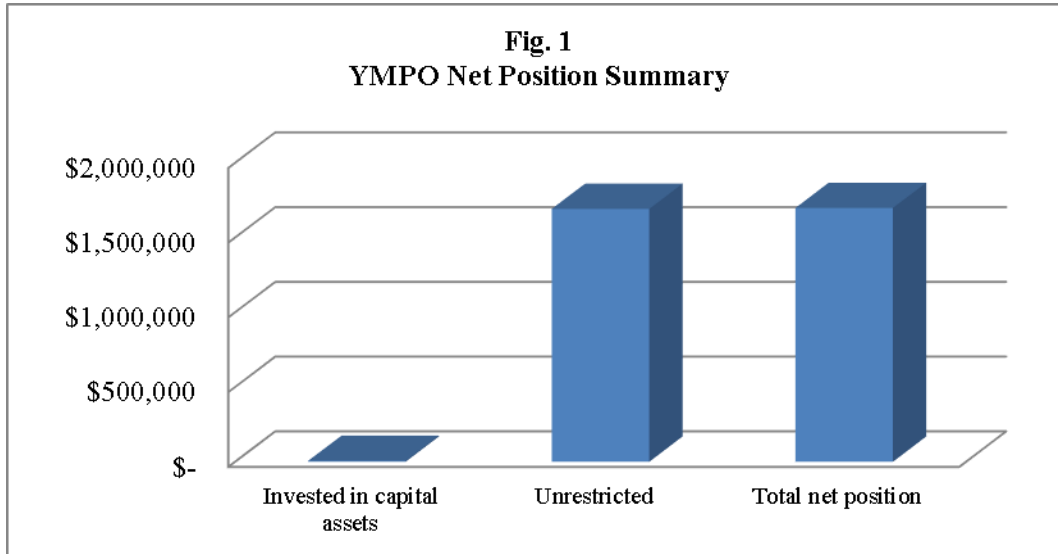
The following table presents a condensed statement of YMPO's net position for the fiscal years ended June 30, 2017 and 2016.

	Governmental Activities	
	2017	2016
Current assets	\$ 1,793,490	\$ 1,651,816
Capital assets, net	6,265	4,456
Total assets	1,799,755	1,656,272
Deferred outflows related to pensions	26,538	-
Total deferred outflows of resources	26,538	-
Current and other liabilities	101,674	95,430
Total liabilities	101,674	95,430
Net position:		
Net investment in capital assets	6,265	4,456
Unrestricted	1,718,354	1,556,386
Total net position	\$ 1,724,619	\$ 1,560,842

The majority (99 percent) of YMPO's net position at June 30, 2017 is unrestricted. The net position is summarized in Figure 1.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



YMPO did not have any restricted net position balances. The balance of net position not invested in capital assets of \$1,724,619 is unrestricted and may be used to meet YMPO's ongoing obligations to citizens and creditors.

YMPO's net position increased by \$137,239 during the year ended June 30, 2017. This increase is attributed to an increase in grant revenues and a decrease in expenses.

Governmental activities. Significant changes in governmental activities included the following:

- Overall, YMPO expenses, including highway and transit planning and administration, decreased by \$70,314 primarily due to a decrease in highway and transit related costs and the deferred outflows of resources related to pensions.
- Operating grants and contributions increased by \$44,797 as a result of an increase in Federal operating grants.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

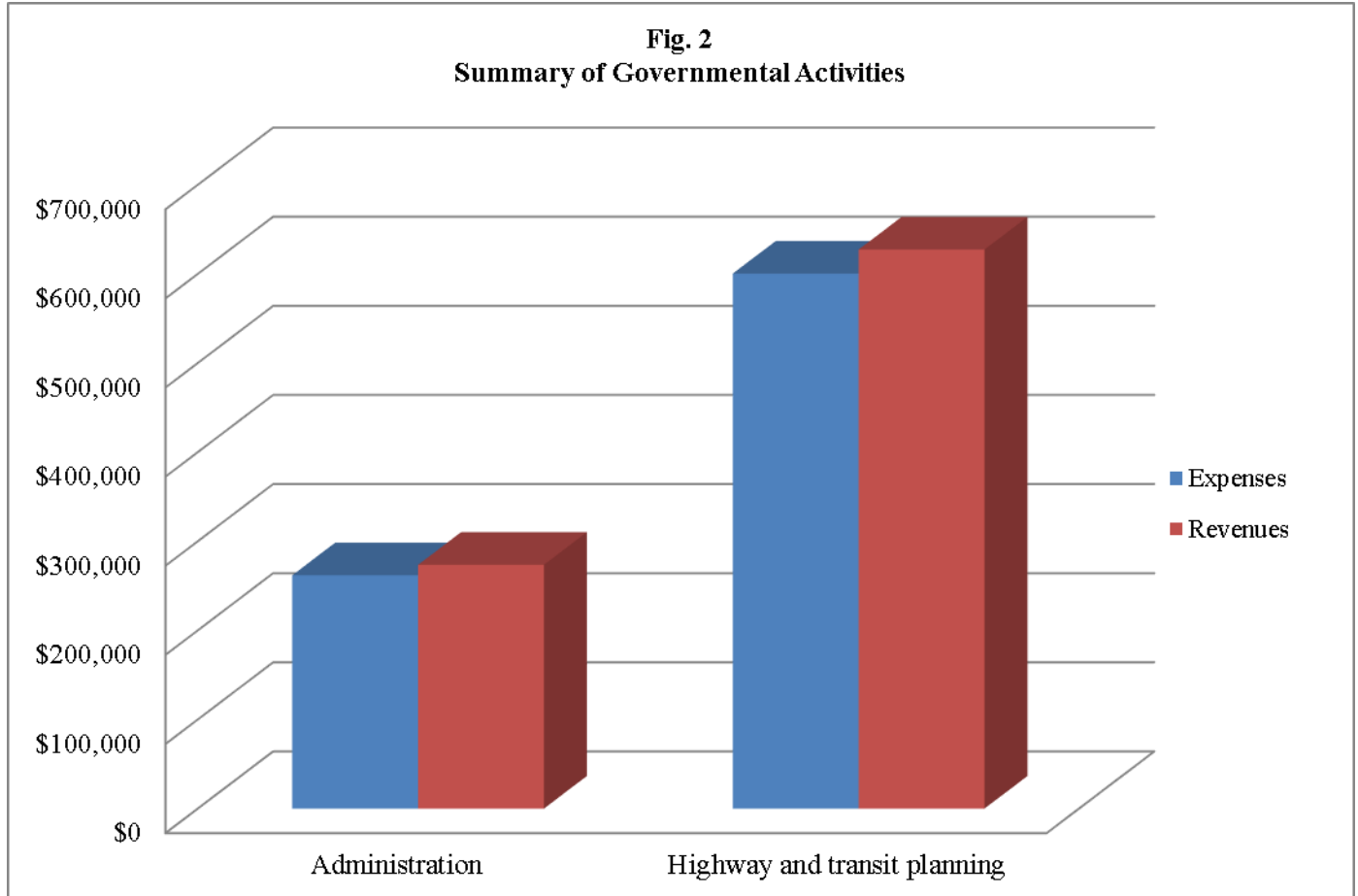
The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and 2016.

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 112	\$ 10,271
Operating grants and contributions	900,865	856,068
General revenues:		
Member fees	90,171	90,171
Investment income	7,597	7,488
Other revenue	626	10
Total revenues	<u>999,371</u>	<u>964,008</u>
Expenses		
Administration	235,250	267,016
Highway and transit planning	<u>600,344</u>	<u>638,892</u>
Total expenses	<u>835,594</u>	<u>905,908</u>
Increase in net position	<u>\$ 163,777</u>	<u>\$ 58,100</u>

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The distribution of revenues and expenses within the governmental activities are summarized in Figure 2.



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, YMPO uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of YMPO's governmental fund is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing YMPO's financing requirements. In particular, assigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

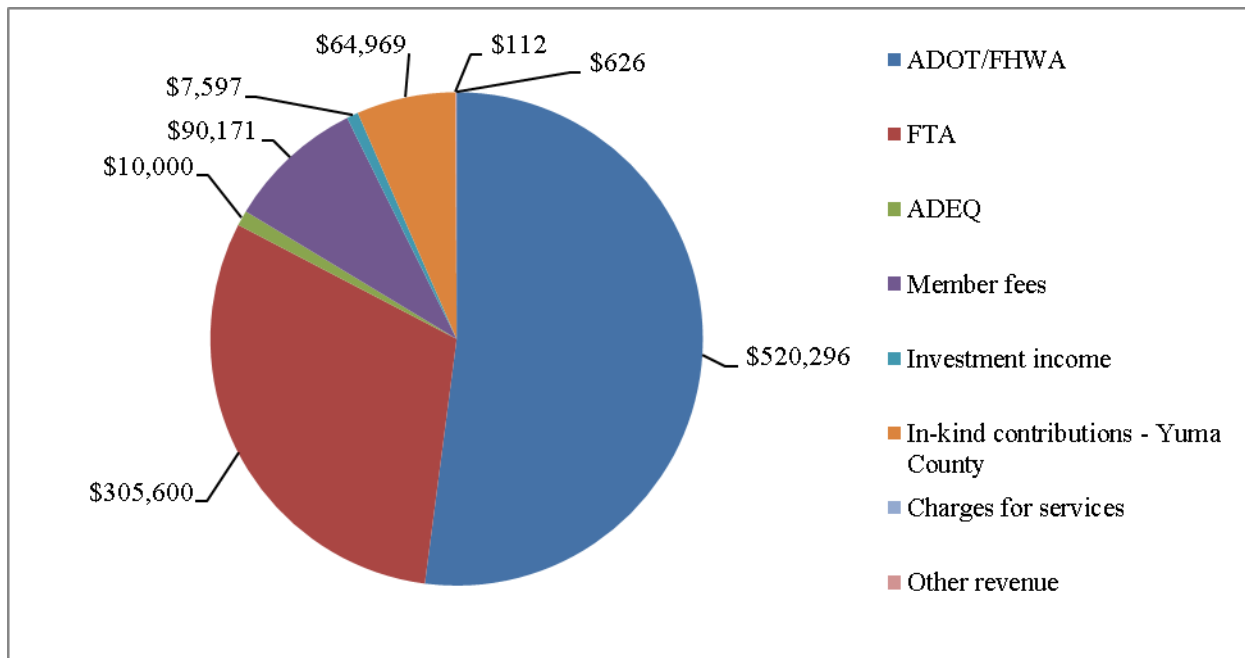
FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (CONTINUED)

As of June 30, 2017, YMPO's governmental fund reported an ending fund balance of \$1,703,991 which was an increase of \$126,885 from the prior year. The entire fund balance of \$1,703,991 is assigned and therefore available for spending at the government's discretion.

The Metropolitan Planning Fund is the only operating fund of YMPO. As a measure of the Metropolitan Planning Fund's liquidity, it may be useful to compare assigned fund balance to total fund expenditures. Assigned fund balance represented 195 percent of total Metropolitan Planning Fund expenditures.

Figures 3 and 4 describe the funding sources and amounts of both revenues and expenditures for the Metropolitan Planning Fund.

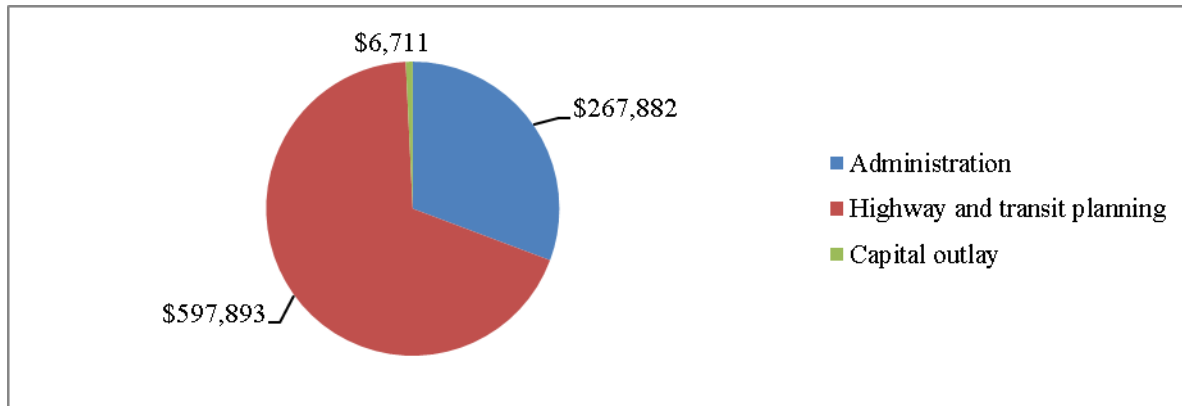
**Fig. 3
Metropolitan Planning Fund Revenues**



**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

**Fig. 4
Metropolitan Planning Fund Expenditures**



CAPITAL ASSETS

YMPO's investment in capital assets for its governmental activities as of June 30, 2017 amounted to \$6,265 (net of accumulated depreciation). The investment in capital assets includes vehicles and furniture and equipment.

Major capital asset events during the current fiscal year included the following as described below and summarized in Note 4 to the financial statements on page 26.

- Depreciation expense of \$4,902
- Purchase of capital assets totaling \$6,711

STATEMENT OF OVERALL FINANCIAL POSITION

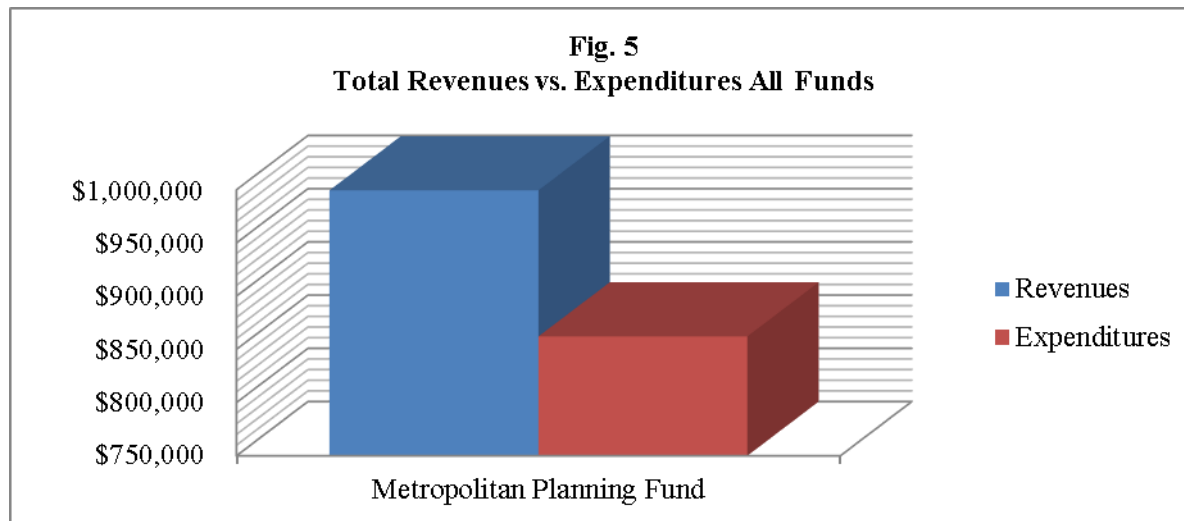
A) Metropolitan Planning Fund

YMPO Metropolitan Planning Fund's fund balance increased by \$126,885 to \$1,703,991 for fiscal year 2017.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

STATEMENT OF OVERALL FINANCIAL POSITION (CONTINUED)

Overall, YMPO continues to meet both its highway and transportation planning obligations. Figure 5 shows that revenues exceeded expenditures in the current year for the Metropolitan Planning Fund.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As a metropolitan planning organization, YMPO's focus is on multimodal transportation planning. YMPO will focus on administering its work program in a manner that reduces traffic accidents, transportation related fuel consumption, air pollution, and greenhouse gases, while increasing transportation safety, clean energy, air quality and supporting sustainable communities, trade, and tourism.

YMPO will work at coordinating and integrating sustainable solutions and maintaining a continuing 24-year multi-agency comprehensive transportation plan, while sustaining a communicative atmosphere that incorporates public involvement.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in YMPO finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Yuma Metropolitan Planning Organization, 502 S. Orange Avenue, Yuma, Arizona, 85364.

Government-Wide Financial Statements

Yuma Metropolitan Planning Organization
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 150,953
Investments	1,181,508
Receivables:	
Accounts	309
Intergovernmental	460,720
Capital Assets (net of accumulated depreciation of \$88,029)	<u>6,265</u>
Total assets	1,799,755
 Deferred Outflows of Resources	
Deferred outflows related to pensions	26,538
 Liabilities	
Accounts payable	44,745
Accrued payroll and related accruals	12,041
Accrued expenses	3,904
Unearned revenue	469
Retention payable	28,340
Compensated absences payable	<u>12,175</u>
Total liabilities	<u>101,674</u>
 Net Position	
Net investment in capital assets	6,265
Unrestricted	<u>1,718,354</u>
Total net position	<u><u>\$ 1,724,619</u></u>

See accompanying notes to the financial statements.

Yuma Metropolitan Planning Organization
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government activities:				
Administration	\$ 235,250	\$ -	\$ 253,626	\$ 18,376
Highway and transit planning	600,344	112	647,239	47,007
Total governmental activities	<u>\$ 835,594</u>	<u>\$ 112</u>	<u>\$ 900,865</u>	\$ 65,383
General Revenues:				
		Member fees		90,171
		Investment income		7,597
		Other revenue		<u>626</u>
		Total general revenues		<u>98,394</u>
		Change in net position		163,777
		Net position - beginning of year		<u>1,560,842</u>
		Net position - end of year		<u>\$ 1,724,619</u>

See accompanying notes to the financial statements.

Fund Financial Statements

**Yuma Metropolitan Planning Organization
Balance Sheet
Governmental Fund
June 30, 2017**

	<u>Metropolitan Planning Fund</u>
Assets	
Cash	\$ 150,953
Investments	1,181,508
Receivables:	
Accounts	309
Intergovernmental	<u>460,720</u>
Total assets	<u><u>\$ 1,793,490</u></u>
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 44,745
Accrued payroll and related accruals	12,041
Accrued expenses	3,904
Unearned revenue	469
Retention payable	<u>28,340</u>
Total liabilities	<u>89,499</u>
 Fund Balance:	
Assigned to:	
Highway and transit planning	<u>1,703,991</u>
Total fund balance	<u>1,703,991</u>
Total liabilities and fund balance	<u><u>\$ 1,793,490</u></u>

See accompanying notes to the financial statements.

**Yuma Metropolitan Planning Organization
Reconciliation of the Balance Sheet - Governmental Fund
to the Government-Wide Statement of Net Position
June 30, 2017**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balance - total governmental fund - Balance Sheet	\$ 1,703,991
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	6,265
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(12,175)
Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds	<u>26,538</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 1,724,619</u></u>

See accompanying notes to the financial statements.

**Yuma Metropolitan Planning Organization
Statement of Revenues, Expenditures
and Change in Fund Balance
Governmental Fund
Year Ended June 30, 2017**

	<u>Metropolitan Planning Fund</u>
Revenue	
Intergovernmental:	
Arizona Department of Transportation/Federal	
Highway Administration	\$ 520,296
Federal Transit Administration	305,600
Arizona Department of Environmental Quality	10,000
Member fees	90,171
Investment income	7,597
Charges for services	112
Donated services - Yuma County	64,969
Other revenue	<u>626</u>
Total revenue	<u>999,371</u>
Expenditures	
Current:	
Administration	267,882
Highway and transit planning	597,893
Capital outlay	<u>6,711</u>
Total expenditures	<u>872,486</u>
Change in fund balance	126,885
Fund balance - beginning of year	<u>1,577,106</u>
Fund balance - end of year	<u><u>\$ 1,703,991</u></u>

See accompanying notes to the financial statements.

**Yuma Metropolitan Planning Organization
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance - Governmental Fund
to the Government - Wide Statement of Activities
Year Ended June 30, 2017**

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Net change in fund balance - total governmental fund	\$	126,885
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Governmental fund reports capital outlays as expenditures.
However, in the Statement of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Outlay to acquire capital assets	\$	6,711	
Current depreciation expense		(4,902)	
			1,809

Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.		8,545
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YMPO pension contributions are reported as expenditures in the
governmental funds when made. However, they are reported as
deferred outflows of resources in the statement of net position
because the reported net pension liability is measured a year
before YMPO's report date. Pension expense, which is the
change in the net pension liability adjusted for changes in deferred
outflows and inflows of resources related to pensions, is reported
in the statement of activities.

YMPO pension contributions		26,538
Change in net position of governmental activities - Statement of Activities	\$	163,777

See accompanying notes to the financial statements.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements
Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Yuma Metropolitan Planning Organization (YMPO) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of YMPO's accounting policies are described below.

A. Reporting Entity

YMPO is a quasi-governmental entity which was established on December 7, 1982 as the Yuma Metropolitan area's designated Metropolitan Planning Organization under federal law.

The membership of the Executive Board consists of members from towns, cities, a Native American Tribal Community in Yuma County, and from the County itself. It also includes nonvoting members from Winterhaven, California and various state and local agencies in California and Arizona. The Executive Board acts as a policy body coordinating transportation planning, traffic engineering, air quality conformity, and related implementation activities. It prepares reports to meet the requirements of several transportation and environmental oversight entities at the federal level.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about YMPO as a whole. The reported information includes all of the nonfiduciary activities of YMPO. These statements are to distinguish between the governmental and business-type activities of YMPO. Governmental activities normally are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. YMPO did not report any business-type activities.

Government-Wide Financial Statements – The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Notes to Basic Financial Statements – Continued

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements – Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, YMPO considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund.

Member fees, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and, accordingly, have been recognized as revenue of the current fiscal period. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash.

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues also arise when resources are received by YMPO before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Receivables that will not be collected within the availability period have also been reported as unearned revenue on the governmental fund financial statements.

YMPO reports one major governmental fund, namely the Metropolitan Planning Fund which accounts for all resources used to finance YMPO’s highway and transportation planning activities.

C. Cash and Investments

Cash – YMPO’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Arizona Revised Statutes (A.R.S.) authorize YMPO to invest public monies in the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, towns, school districts, and special districts as specified by statute. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Notes to Basic Financial Statements – Continued

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. YMPO reported no prepaid items for the year ended June 30, 2017.

F. Capital Assets

Capital assets are defined by YMPO as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Vehicles, furniture and equipment are depreciated using the straight-line method over the following estimated useful lives of 5 years.

YMPO uses the “full-year” convention where a full year’s depreciation is recorded in the year of acquisition, and no depreciation is recorded in the year of sale or disposal.

G. Compensated Absences

All regular full-time employees of YMPO are entitled to paid time off. Annual leave begins to accrue immediately upon employment according to the following schedule:

<u>Years of Credited Service</u>	<u>Days per Year</u>
0 to 1 year	24
1 to 4 years	25
4 to 10 years	28
10 to 15 years	31
15 to 20 years	32
20 years or more	33
Appointed Executive Director	33

Notes to Basic Financial Statements – Continued

Note 1 - Summary of Significant Accounting Policies (Continued)

There is no maximum accrual of paid time off. Unused annual leave will be paid at the time of termination up to 400 hours for benefit eligible employees and 200 hours for employees who are not benefit eligible at their current rate of pay at the time of termination.

The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

<u>ASRS</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

I. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to Basic Financial Statements – Continued

Note 1 - Summary of Significant Accounting Policies (Continued)

J. Net Position/Fund Balance Classifications

Net Position – Government-wide financial statements classify net position as invested in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balance – In the governmental fund financial statements, fund balance is composed of five classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The governmental fund types classify fund balances as follows:

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, (such as prepaid items), or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Executive Board. Those committed amounts cannot be used for any other purpose unless the Executive Board removes or changes the specified use by taking the same type of action it employed to previously commit those accounts through ordinances or resolutions.

Assigned. Amounts in the assigned fund balance classification are intended to be used by YMPO for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Executive Board or a management official delegated that authority by the formal Executive Board action. The Executive Board has delegated this authority to the Executive Director.

Unassigned. The unassigned classification is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

K. Fund Balance Policies

YMPO applies restricted resources first when expenditures are incurred for purposes for which either restricted, committed, assigned, and unassigned amounts are available. Similarly, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the remaining fund balance classifications could be used.

Notes to Basic Financial Statements – Continued

Note 1 - Summary of Significant Accounting Policies (Continued)

L. Program Revenues

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or members who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and fees that are restricted to meeting the operational or capital requirements of a particular function or segment. Member fees for general purposes and other items not included among program revenues are reported instead as general revenues.

Note 2 - Cash and Investments

Cash – The captions and amounts of cash and investments on the Statement of Net Position consist of the following:

	Governmental Funds
Petty cash	\$ 445
Cash in bank	150,508
	<hr/>
Total cash and investments	\$ 150,953
	<hr/>

Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of a bank failure, YMPO's deposits may not be returned to YMPO. YMPO currently does not have a deposit policy for custodial credit risk. At June 30, 2017, the carrying amount of YMPO's deposits was \$150,508, and the bank balance was \$126,737. At June 30, 2017, YMPO's bank deposits were 100% covered by Federal Deposit Insurance Corporation (FDIC) insurance.

Investments – YMPO's investments at June 30, 2017 are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

YMPO investments at June 30, 2017 was invested in the Yuma County Treasurer's investment pool. Interest is allocated based on average month-end cash balances of each entity's fund.

Notes to Basic Financial Statements – Continued

Note 2 - Cash and Investments (Continued)

Yuma County Treasurers' investment pool is not registered with the Securities and Exchange Commission and there is no regulatory oversight of their operations. However, the majority of the County's investment pool is invested in the State of Arizona's local government investment pool which is regulated by the State Board of Investment. The pools' structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Interest Rate Risk. YMPO does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. YMPO has no investment policy that would further limit its investment choices. As of June 30, 2017, YMPO's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk. YMPO's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, YMPO's portion is not identified with specific investments and is not subject to custodial credit risk.

Note 3 – Receivables

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables as of year-end for YMPO in the aggregate, were as follows:

Intergovernmental receivables	
Due from ADOT	\$ 302,748
Due from FTA	91,704
Due from other governments	<u>66,268</u>
Total intergovernmental receivables	<u>\$ 460,720</u>

Management considers all receivables at June 30, 2017 to be fully collectible; therefore, no allowance for doubtful accounts was included.

Notes to Basic Financial Statements – Continued

Note 4 - Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2017, follows:

Governmental Activities	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Vehicles	\$ 69,841	\$ -	\$ -	\$ 69,841
Furniture and equipment	17,742	6,711	-	24,453
Total capital assets being depreciated	87,583	6,711	-	94,294
Less accumulated depreciation for:				
Vehicles	(65,385)	(4,456)	-	(69,841)
Furniture and equipment	(17,742)	(446)	-	(18,188)
Total accumulated depreciation	(83,127)	(4,902)	-	(88,029)
Total capital assets being depreciated, net	\$ 4,456	\$ 1,809	\$ -	\$ 6,265

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 2,451
Highway and transit planning	2,451
Total depreciation	\$ 4,902

Note 5 - Obligations Under Leases

YMPO leases offices under the provisions of a month-to-month lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$24,011 for the year ended June 30, 2017.

Note 6 - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 20,720	\$ 25,112	\$ (33,657)	\$ 12,175	\$ 12,175

Notes to Basic Financial Statements – Continued

Note 7 - Economic Dependency

YMPO received 9 percent of its revenues from dues paid by its member organizations, 31 percent of its revenues from the Federal Transit Administration and 52 percent of its revenues from the Federal Highway Administration passed through the Arizona Department of Transportation.

Note 8 - Risk Management

YMPO is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

YMPO carried commercial insurance for all risks of loss, including property and liability, workers' compensation, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 – Contributions – Donated Services

For the period ending June 30, 2017, YMPO received donated services from Yuma County and YMPO's Technical Advisory Committee Members totaling \$64,969. The donated services from Yuma County consist of 7.06% of the total expenditures processed through the Yuma County's Finance Department. YMPO's Technical Advisory Committee donated services consists of any time allocated to any YMPO related items that need comment and/or review. This time is also from attending any Technical Advisory Committee meeting. The hourly wage is based off of the current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates for Civil Engineers. Mileage is used as an in-kind contribution from the Technical Advisory Committee Members which is calculated on a \$0.445 per mile.

Note 10 - Retirement Plans

YMPO and employees contribute to two retirement plans. These plans are a 401(k) defined contribution pension plan and the Arizona State Retirement System (ASRS). Benefits are established based on contributions to the plan.

ARIZONA STATE RETIREMENT

Plan Description - The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

Notes to Basic Financial Statements – Continued

Note 10 - Retirement Plans (Continued)

Benefits Provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
	Sum of years and age	
Years of credited service	equals 80 or more	30 years age 55
and age required to	10 years age 62	25 years age 60
receive benefit	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is	Highest 36 months of last	Highest 60 months of last
based on	120 months	120 months
Benefit percent per	2.1% to 2.3%	2.1% to 2.3%
year of service		

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost of-living adjustments. Survivor benefits are payable upon a members' death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and YMPO was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the members' annual covered payroll.

Notes to Basic Financial Statements – Continued

Note 10 - Retirement Plans (Continued)

In addition, YMPO, was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 for retirement and 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS. YMPO's contributions to the pension plan for the year ended June 30, 2017 were \$26,538. YMPO's OPEB contributions for the current year, all of which were equal to the required contributions, were as follows:

<u>Year ended June 30,</u>	<u>Health benefit supplement fund</u>	<u>Long-term disability fund</u>
2017	\$ 1,294	\$ 323

Pension liability—The net pension liability was measured as of June 30, 2016 and as YMPO did not participate at that time, no pension liability is reported at June 30, 2017.

Pension expense and deferred outflows of Resources - At June 30, 2017, YMPO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Pension contributions made subsequent to measurement date	\$ 26,538	\$ -

The \$26,538 reported as deferred outflows of resources related to ASRS pensions resulting from YMPO contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued report at www.azasrs.gov.

Payable to the Pension Plan - At June 30, 2017, YMPO reported a payable of \$1,078 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

401(k) Plan

Prior to approval by the State for re-admittance to the Arizona State Retirement Plan, YMPO had offered its employees a 401(k) plan which provided them an option to continue participation at equal rates. Only one employee elected to participate in the 401(k) plan. YMPO matched employee contributions at rates equal to the rates of the ASRS plan. This plan was discontinued when YMPO was re-admitted to the Arizona State Retirement Plan.

For the year-ended June 30, 2017, YMPO made contributions to one employee's 401(k) plan totaling \$3,591.

Required Supplementary Information

**Yuma Metropolitan Planning Organization
Schedule of Revenue and Expenditures
Budget and Actual
Metropolitan Planning Fund
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Revenue				
Intergovernmental:				
Arizona Department of Transportation/Federal				
Highway Administration	\$ 531,370	\$ 706,101	\$ 520,296	\$ (185,805)
Federal Transit Administration	290,763	425,109	305,600	(119,509)
Arizona Department of Environmental Quality	10,000	10,000	10,000	-
Member fees	5,803	5,803	90,171	84,368
Interest revenue	-	-	7,597	7,597
Charges for services:				
Traffic count revenues	-	-	112	112
In-kind contributions - Yuma County	137,561	189,529	64,969	(124,560)
Other income	-	-	626	626
Total revenue	<u>975,497</u>	<u>1,336,542</u>	<u>999,371</u>	<u>(337,171)</u>
Expenditures				
Administration	319,815	341,799	267,882	73,917
Highway and transit planning	<u>655,682</u>	<u>994,743</u>	<u>597,893</u>	<u>396,850</u>
Total expenditures	<u>975,497</u>	<u>1,336,542</u>	<u>865,775</u>	<u>470,767</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,596</u>	<u>\$ 133,596</u>

See accompanying notes to the budgetary comparison schedule.

**Yuma Metropolitan Planning Organization
Notes to Required Supplementary Information
Year Ended June 30, 2017**

Note 1 – Budgetary Basis of Accounting

YMPO's budget is prepared on a basis consistent with generally accepted accounting principles with the exception of expenditures which are budgeted by grant purpose rather than by functional expenditures and in-kind services.

Note 2 – Budgetary Control

YMPO bylaws require the executive director to provide a budget that is reviewed and approved by the board of directors. YMPO retains the right and authority to modify the proposed budget in its entirety or on a line-item basis. An annual appropriated budget is adopted for the Metropolitan Planning Fund on the modified accrual basis of accounting, except that capital outlays are not budgeted.

Other Supplementary Information

**Yuma Metropolitan Planning Organization
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through or Grantor Number	Program Expenditures	Amounts Provided to Subrecipients
<u>U.S. Department of Transportation</u>				
<i>Passed through Arizona Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	JPA11-088	\$ 520,296	\$ -
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	JPA11-088	238,830	-
Total Highway Planning and Construction Cluster			759,126	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GRT-16-0006106-T	66,770	20,000
Total U.S. Department of Transportation			825,896	20,000
<u>Environmental Protection Agency</u>				
<i>Passed through Arizona Department of Environmental Quality:</i>				
Air Pollution Control Program Support	66.001	EV09-0102	10,000	-
Total Environmental Protection Agency			10,000	-
Total Expenditures of Federal Awards			\$ 835,896	\$ 20,000

See accompanying notes to the schedule.

Yuma Metropolitan Planning Organization
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards (schedule) includes Yuma Metropolitan Planning Organization's (YMPO) federal grant activity for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA program titles and numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*.

Note 4 – Indirect Cost Rate

Grantor funding under YMPO's federal awards does not allow for indirect costs and, accordingly, YMPO did not use the 10 percent de minimis indirect cost rate covered in 2 CFR §200.414.

Single Audit Reports

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Executive Board of
Yuma Metropolitan Planning Organization

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Yuma Metropolitan Planning Organization, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Yuma Metropolitan Planning Organization's basic financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yuma Metropolitan Planning Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yuma Metropolitan Planning Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walsh & Armstrong, LLP

Phoenix, Arizona
March 29, 2018



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

The Executive Board of
Yuma Metropolitan Planning Organization

Report on Compliance for Each Major Federal Program

We have audited Yuma Metropolitan Planning Organization's (YMPO) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Yuma Metropolitan Planning Organization's major federal programs for the year ended June 30, 2017. Yuma Metropolitan Planning Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Yuma Metropolitan Planning Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yuma Metropolitan Planning Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Yuma Metropolitan Planning Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Yuma Metropolitan Planning Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Yuma Metropolitan Planning Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yuma Metropolitan Planning Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Phoenix, Arizona
March 29, 2018

**Yuma Metropolitan Planning Organization
Schedule of Findings and Questioned Costs
Year ended June 30, 2017**

A. Summary of Audit Results

Financial Statements

Type of auditors' report issued:

Unmodified	
Yes	No

Internal control over financial reporting:

Material weaknesses identified

	X
--	---

Significant deficiencies identified

	None reported
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Noncompliance material to the financial statements noted?

	X
--	---

Federal Awards

Internal control over major programs:

Material weaknesses identified

	X
--	---

Significant deficiencies

	None reported
--	---------------

Type of auditor's report issued on compliance for major programs:

Unmodified	
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	X
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Identification of major programs:

CFDA No.	Name of Federal Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs:

	\$ 750,000
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Auditee qualified as a low risk auditee?

X	
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Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?

X	
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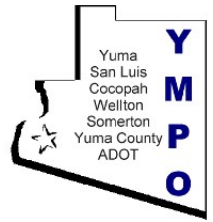
B. Financial Statement Findings None

C. Federal Award Findings: None

Yuma Metropolitan Planning Organization

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*Local Governments and
Citizens Working Together*

Summary Schedule of Prior Audit Findings

We have prepared the following summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs and includes the status of any audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Federal Award Finding:

<u>Finding 2016-101</u>	Late Filing of Audit and Data Collection Form
CFDA Number:	20.205
Program Title:	Highway Planning and Construction (Federal-Aid Highway Program)
Condition:	The audit report and data collection form were not submitted within nine months of the year end; specifically, no later than March 31, 2017.
Recommendation:	The auditors recommended that Yuma Metropolitan Planning Organization complete its recordkeeping and accounting in sufficient time to meet the report submission requirement including a proper identification and evaluation of funding that constitutes expenditures of federal awards.
Contact Name:	Paul D. Ward, Executive Director
Status:	Corrected. YMPO has filed the current year data collection form by the required deadline.